

# New Jersey “Killer App”

## System Integration of the Return to Work Date

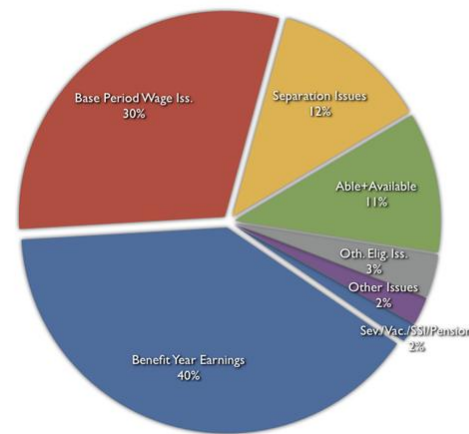
In 2011, the New Jersey Department of Labor and Workforce Development (LWD) implemented a new process, which utilizes data obtained from the National Directory of New Hire (NDNH) into its certification for benefits protocol. This change has resulted in the reduction of improper unemployment insurance (UI) benefit payments.

### Background

New Jersey’s Labor Commissioner, Harold J. Wirths, acting on President Obama’s Executive Order No. 13520, recognized that improper UI payments in New Jersey were on the rise and authorized a comprehensive analysis of the root problem and the commencement of efforts to reduce improper payments. In conjunction with the Benefit Accuracy Measurement (BAM) unit, LWD’s Benefit Payment Control (BPC) unit researched and identified all overpayment types and causes. The greatest instance of improper payments was the issue of benefit year earnings in which claimants returned to work while continuing to collect UI benefits.

New Jersey’s earlier attempts to reduce that population proved ineffective as the new hire data for both the National and State Directories was confined to the hire date and not the first day of actual work. The hire date required secondary verification of its validity. Issuing letters to the claimant and employer populations did not produce the desired results. Mail processing alone could allow an improper overpayment to grow three weeks larger while awaiting an employer’s response. The best case scenario showed that in the cases where secondary verification was obtained, the average overpayment of benefits was six weeks in duration.

Figure 1: New Jersey Causes of Improper Payments



### The Proposed Solution

The unproductive results from the routine cross-matches forced New Jersey to change its approach from detection to prevention. The solution was to involve claimants earlier in the process of certifying their UI benefits. This new approach was accomplished, as a result of the National and State Directory change to reporting first day of work, by instituting system modifications which automatically added a “return to work” date and the specific employer into the claim file. The claim is subsequently flagged, requiring the claimant to interact with a UI representative at the time he/she is certifying for UI benefits for any week involving benefits after the return to work date.

Telephone certifications require claimants to speak with a UI representative after the certification is completed, but before payment is authorized. Claimants who complete their certifications over the Internet who have a return to work issue are contacted by telephone by a UI representative before payment is authorized.

This new procedure allows for a real-time discussion with the claimant regarding benefit eligibility. Before any future benefits will be paid, the claimant is specifically questioned about returning to work for a specific employer. The claimant’s responses to the questions during the certification may affect future UI eligibility and benefits.

### Benefits of the Solution

Based on the 2011 average weekly benefit amount of \$396 and conservatively estimating that only three weeks of UI benefit payments are stopped for each claim, New Jersey projected that it saves \$1,188 of improper UI benefit payments for each claim that is challenged.

During the first 27 weeks of implementation under the new “claimant challenge” approach, New Jersey added 70,731 NDNH hits into its UI claims system. Of this number, 45,566 claimants (65%) had current and/or future benefits stopped when they were challenged at the end of the certification process. Multiplying this number by the \$1,188 projected savings per claim, realizes trust fund savings of \$54.5M for the first six months of the program. Recognition must be given to the fact that, once the claimant community becomes aware of the program and realize that wage/benefit conflicts will be challenged, attempts to collect improper payments will diminish. However, a conservative projection of annual savings is placed at \$98M.

Given these significant savings for New Jersey, we feel that this is a positive step forward in addressing the problem of Benefit Year Earnings and is a solution that could be followed by many other states.

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